

# City of Memphis

TENNESSEE



JIM STRICKLAND  
MAYOR

DIVISION OF HOUSING &  
COMMUNITY DEVELOPMENT

September 7, 2018

Mary C. Wilson  
Director, Office of Community Planning and Development  
U.S. Department of Housing and Urban Development  
Knoxville Field Office, Region IV  
710 Locust Street, Suite 300  
Knoxville, TN 37902-2526

Dear Ms. Wilson:

This letter is in response to your Sept. 4, 2018 letter regarding findings of noncompliance with HOME program requirements. The letter outlined issues related to two HOME activities, Marina Cove (HOME activity 12587) and Cleaborn Pointe (HOME activity 13033). These two projects were evaluated by HUD Office of Affordable Housing (OAH) after the City of Memphis (City) submitted a waiver request for the Fiscal Year 12 HOME expenditure requirement, which would have given the City additional time to expend \$1,377,960.38 in FY12 HOME funds. This waiver request was denied on March 15, 2018. Your letter calls for the deobligation of \$8,989,283.62 in federal funds by October 4, 2018 and the potential repayment of \$6,881,771.21 to HUD from nonfederal funds of the City by October 19, 2018. The City is highly concerned about the potential loss of over \$15.8 million that could be going towards serving the needs of Memphis residents.

After the loading of current year HOME funds, the proposed deobligation would leave a deficit of \$1,423,019.96 to cover approved activities for which the City has contractual written agreements, which would put the City and our constituents at a severe disadvantage and will have a significant impact on affordable housing development. After years of stagnation, many neighborhoods in the core of our City are showing signs of growth and momentum. HOME funds serve as an important and strategic tool for the City as this growth continues, because it allows for quality housing development that will be maintained as affordable long term, preventing gentrification of rapidly growing neighborhoods. There is a pipeline of great projects that the City has developed over the past 8 months, due to our aggressive outreach around the program. The proposed deobligation will cripple the City's ability to utilize this resource for these projects.

The City made good faith efforts to utilize HOME funds within the spirit of the program's intent. Marina Cove was deemed a public nuisance because of the blight and crime associated with the property and there were environmental court orders that placed the property under the purview of the City. Cleaborn Homes was a HOPE VI project that the City of Memphis made a commitment to see to completion. The Master Development Agreement between the City and the Memphis Housing Authority is the mechanism that was used in order to have one overarching, long-term agreement that would be amended over time

as money from various City sources are added to project phases. Given the multi-phase, long term nature of a HOPE VI development, it is very difficult to predict the total amount of funds that the City would provide from any one source. The City plans to provide more robust information on the projects during and after our discussion with OAH staff in DC next week.

The City is aggressively taking action to improve our administration of all HUD funded programs. The most recent action is the hiring of CorporateFACTS, a HUD Tier I Technical Assistance Provider, which is currently working to reconcile IDIS balances with City accounting system records. The second phase of the engagement of CorporateFACTS is to conduct process mapping and recommendations of best practices for program compliance for HUD entitlement programs. In addition, staff training has been taking place over the past year and will continue over time. Our team is committed to improvements that will ensure that noncompliance issues are eradicated for the City of Memphis.

We request that additional time be provided before deobligation or repayment from the City is required from HUD. HUD's review of these projects began at over six months ago, and until now the City did not have a clear picture of the HUD issues under review. These projects were initiated over 8 years ago under a different Mayor and different leadership at Housing and Community Development. Our staff has attempted to provide information on these projects as it was requested, but there are still aspects of the project that were not requested and are still being discovered. It is unreasonable to provide 30-45 days on a matter of such significant impact to the City, thus any discretion that HUD can provide to extend this timeline would be greatly appreciated.

Mayor Strickland is currently working to secure a face to face meeting with Secretary Ben Carson as soon as possible. There is much more that we will discuss when we meet with OAH staff in DC next week, and I look forward to working towards a positive solution on this matter. Please contact me at 901-576-7308 or paul.young@memphistn.gov if you have additional questions or concerns.

Sincerely,

A handwritten signature in blue ink, appearing to read "Paul A. Young".

Paul A. Young  
Director

Cc: Doug McGowen, Chief Operating Officer, City of Memphis  
Shirley Ford, Chief Financial Officer, City of Memphis  
Virginia Sardone, Director, HUD Office of Affordable Housing  
Sernoma Mitchell, Director, HUD Memphis Field Office